

An Overview of State Expenditures



STATE EXPENDITURES

SPENDING BY SOURCE OF AUTHORITY

Figures 5 and 6 show the budget by source of funding. Figure 1 shows the total budget from all fund sources. HB 2 dominates the funding sources for total funds.

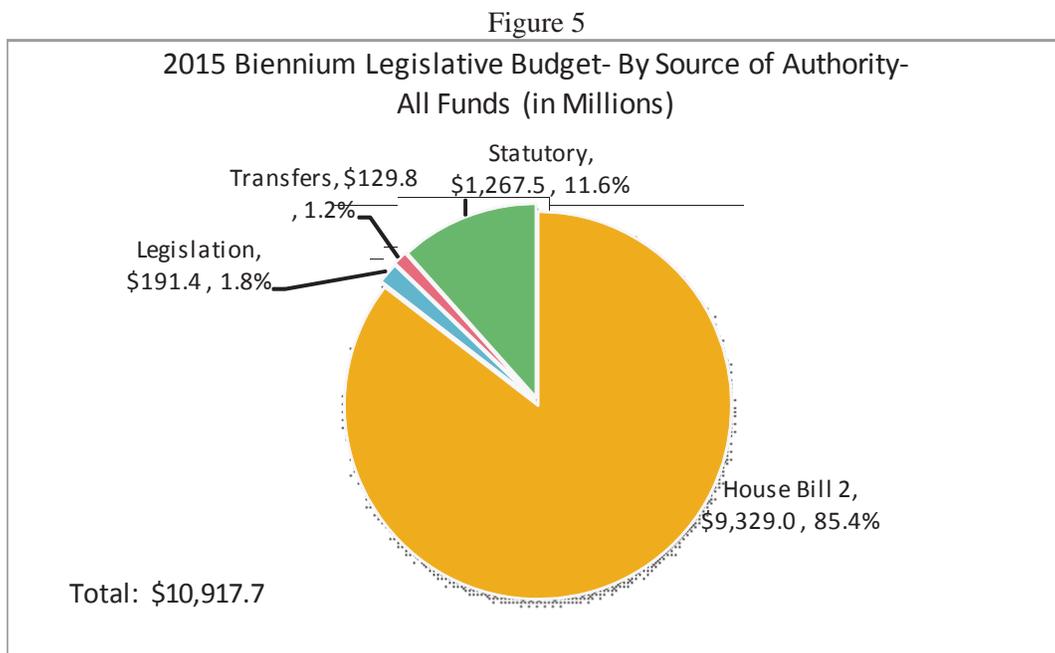
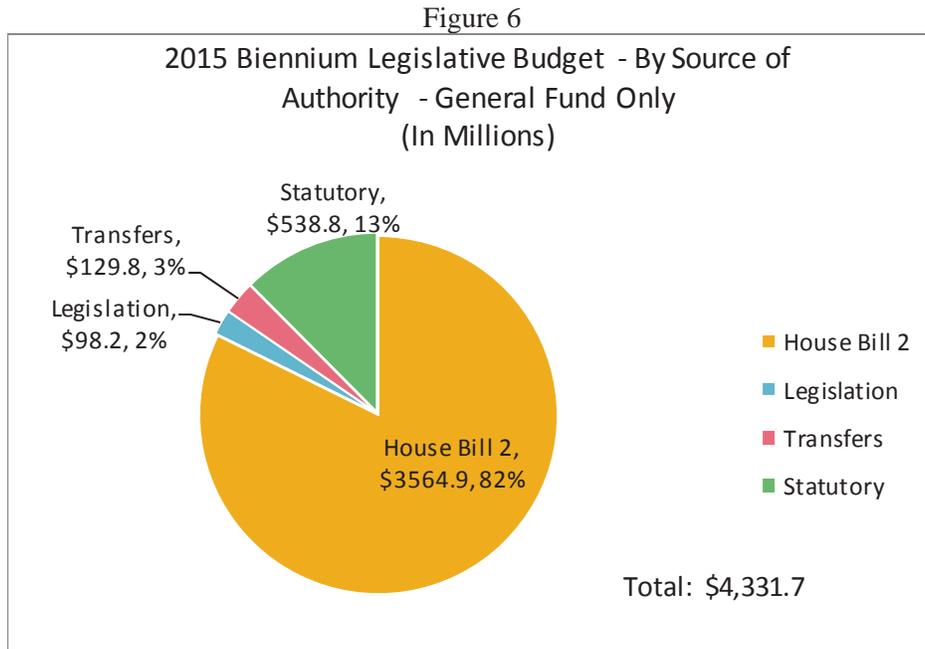


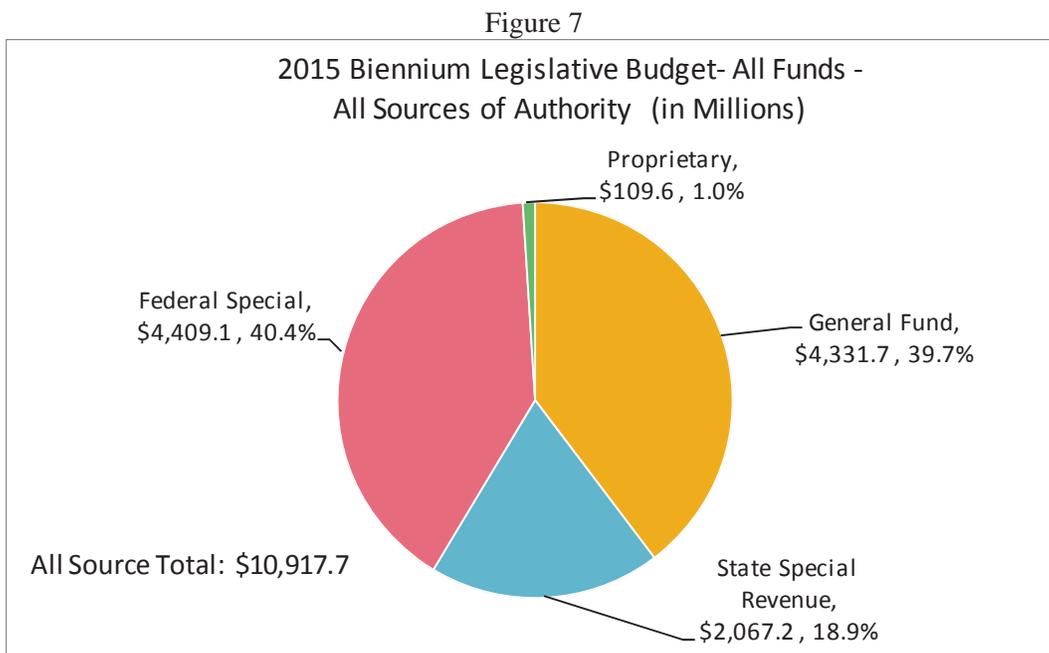
Figure 6 shows the general fund budget by source of funding. The following discusses each of the sources shown. Please note that “Legislation” includes Long Range Planning, which is discussed separately.



The legislature increased total general fund expenditures in the 2015 biennium by \$537.67 million or 14.2% from the previous biennium. The following sections discuss the various components, beginning with HB 2.

Spending by Type of Funding

The following shows the sources of funding for total expenditures. As shown, federal funds provide the largest share, primarily due to human services and transportation funding, followed by general fund.

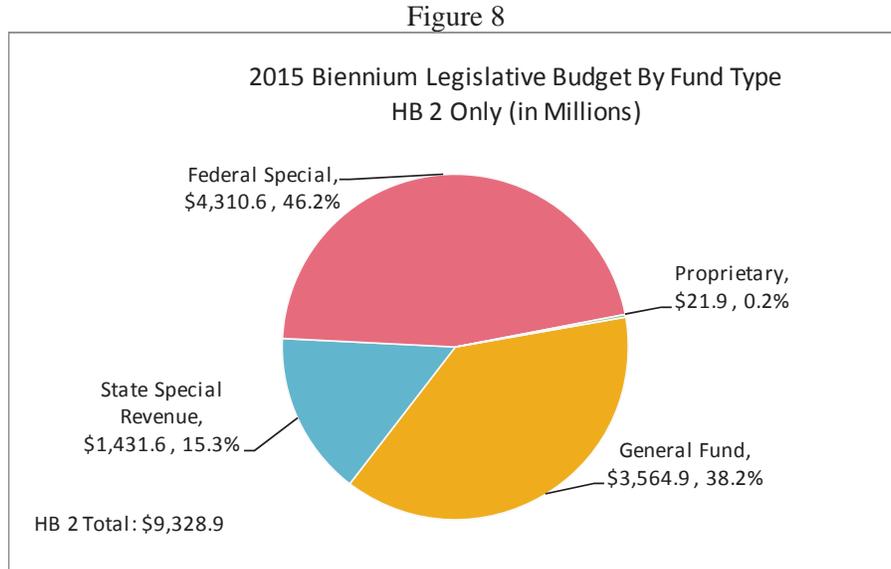


APPROPRIATIONS BY SOURCE OF AUTHORITY – HB 2

HB 2 is the general appropriations bill, of all appropriations in HB 2 about 38% are general fund in the 2015 biennium.

Type of Funding

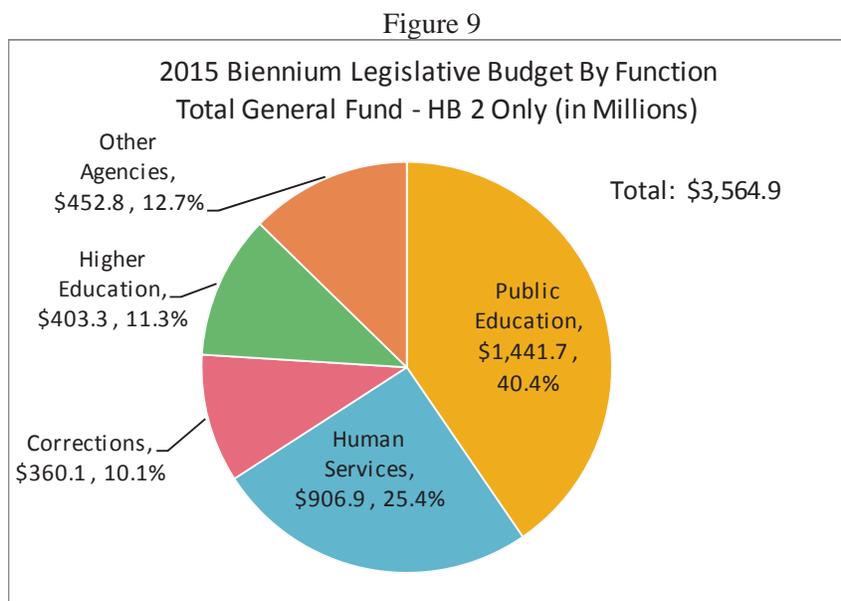
Figure 8 shows the allocation of funding in HB 2. As shown, federal revenues are the largest source, with general fund at 38.2%.



The following discusses the three primary funding sources in HB 2: 1) general fund; 2) state special revenue; and 3) federal funds.

General Fund

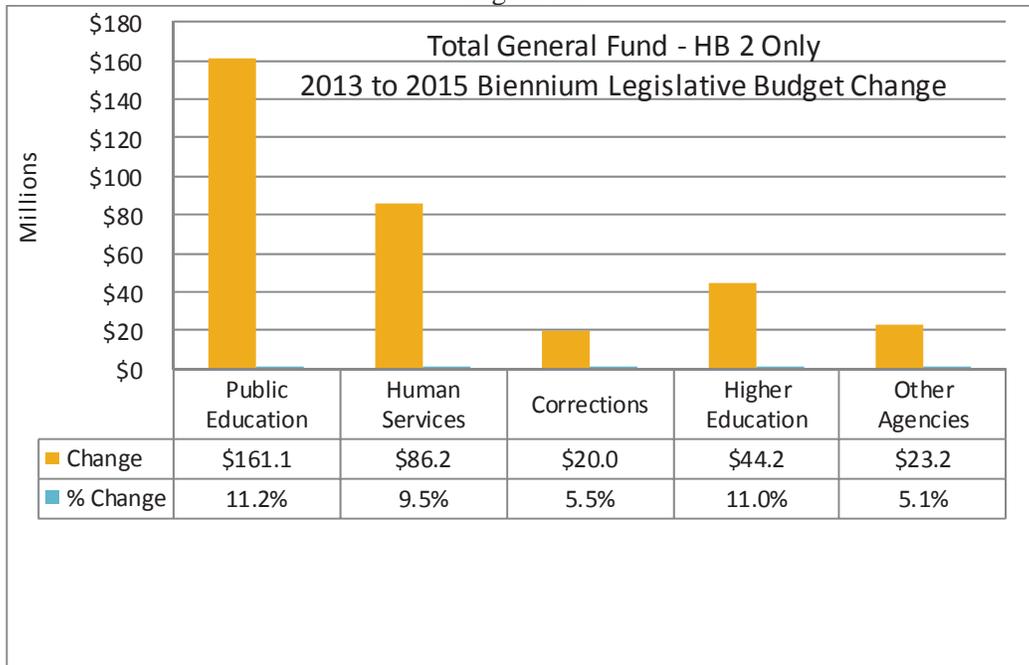
Figure 9 shows total HB 2 general fund, by government functional area. Education, human services, and corrections are over 87% of the total appropriations.



Legislative Action

The legislature increased general fund appropriations by \$334.7 million, or 10.4%. Increases for K-12 education and human services are over 93% of the total increase.

Figure 10



Major increases include:

- K-12 – Replacement of one-time guaranteed account funds and lower account estimates, BASE Aid inflation, SB 372 reimbursements to school districts, ANB adjustments and FY 2013 inflation. A further explanation follows this section
- DPHHS – Medicaid caseload and utilization increases and a 2% provider rate increase each year. A further explanation follows this section
- Corrections - Annualized contract bed and assisted living beds funding, inflation of outside medical costs, a 2% per year provider rate increase, and additional community corrections beds and placements. A further explanation follows this section
- Higher Education – An overall increase for the educational units and research facilities of 7.5%, generally funded at 82% general fund; and an increase in funding for the community colleges
- Office of the Public Defender – Additional staff and operating expenses to address workload/caseload issues
- Revenue – 6-year re-appraisal cycle, enhanced e-services
- FWP and Agriculture – Continuance of aquatic invasive species activities (additional funding is included in HB 586)
- Livestock – Continuance of brucellosis containment and monitoring activities
- All agencies – Statewide present law adjustments

Additional information on present law adjustments and new proposals can be found in Appendix A of this publication.

SB 410

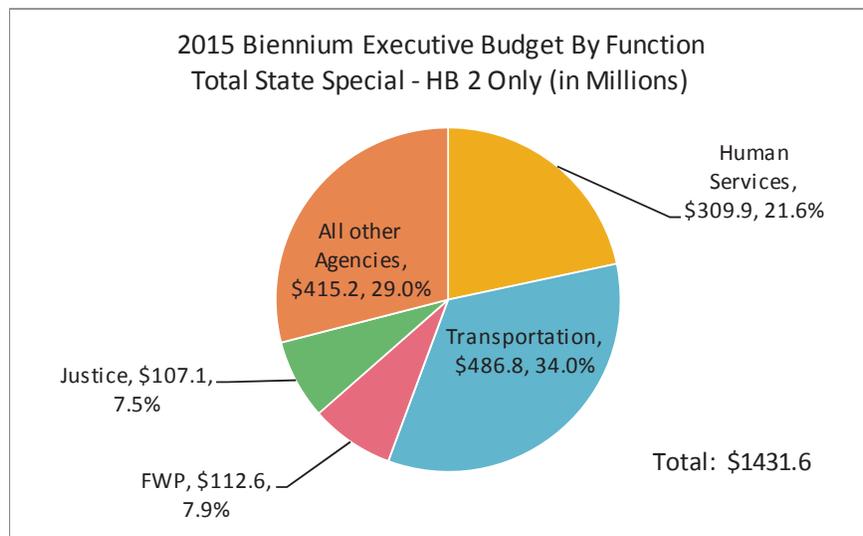
The legislature passed SB 410, which transferred \$13.5 million general fund for general operations of several agencies. In addition, the bill provides a \$7.5 million appropriation to the Governor’s Office for allocation to a number of agencies, also for “operations of the agency”. Because the purposes for which fund in the bill can be used for are similar to HB 2, it is discussed here although it is not included in the figures above. The following shows the individual

statutory appropriations, as well as the agencies that may receive some portion of the \$7.5 million appropriated to the Governor’s Office.

HB 410 - General Fund Transfers and Receiving Agencies 2015 Biennium	
Receiving Agency/Potential Recipients	Biennial Amount
Corrections	\$2,000,000
Public Health and Human Services	2,000,000
Labor and Industry	2,000,000
Governor's Office	<u>7,500,000</u>
Governor's Office Public Health and Human Services Natural Resources and Conservation Environmental Quality Administration Commerce Revenue Corrections Labor and Industry	
Total	<u>\$13,500,000</u>

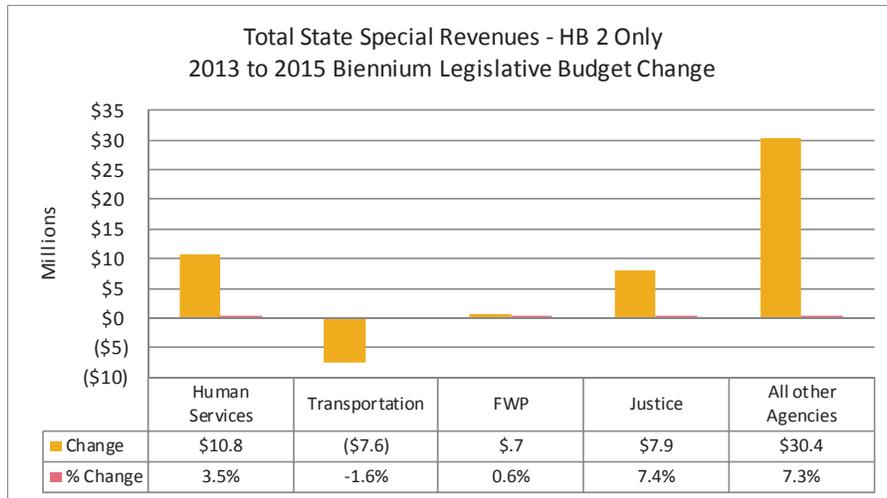
State Special Revenue

State special revenue is earmarked for specific purposes and comprises \$1,431.6 million or 15.3% of total expenditures in the 2015 biennium in HB 2. The following chart shows total state special revenues by function for HB 2 only.



Legislative Action

State special revenue increases by \$42.3 million, or about 3.0%.

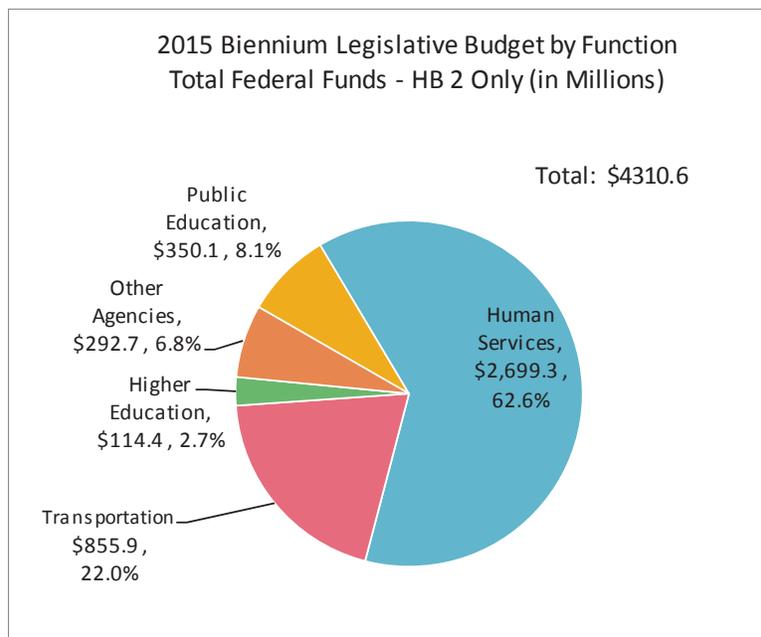


The legislature made a number of changes in various agencies. The most significant policy adjustments include the following:

- Environmental related - Additional Zortman Landusky monitoring and remediation, and authority for rangeland loans and various water projects
- DPHHS – A reduction due to an anticipated hold harmless switch, increased intergovernmental transfers, and additional tobacco prevention and other public health initiatives
- All agencies – Statewide present law adjustments

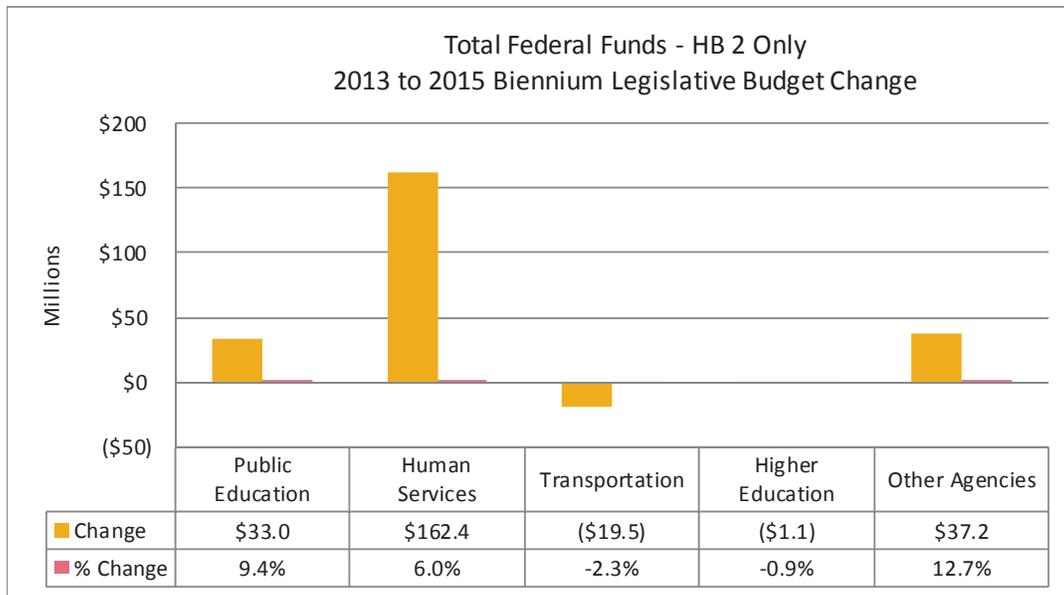
Federal Funds

Federal funds are, as the name implies, received from various federal funding sources. The federal government provides targeted funding that cannot be used except for the general and/or specific purposes intended. It comprises \$4,310.6 million or 46.2% of total appropriations in the 2015 biennium.



Legislative Action

Federal funds increase by \$211.9 million and 5.2% from the previous biennium, with the change in DPHHS comprising over 76% of the increase.

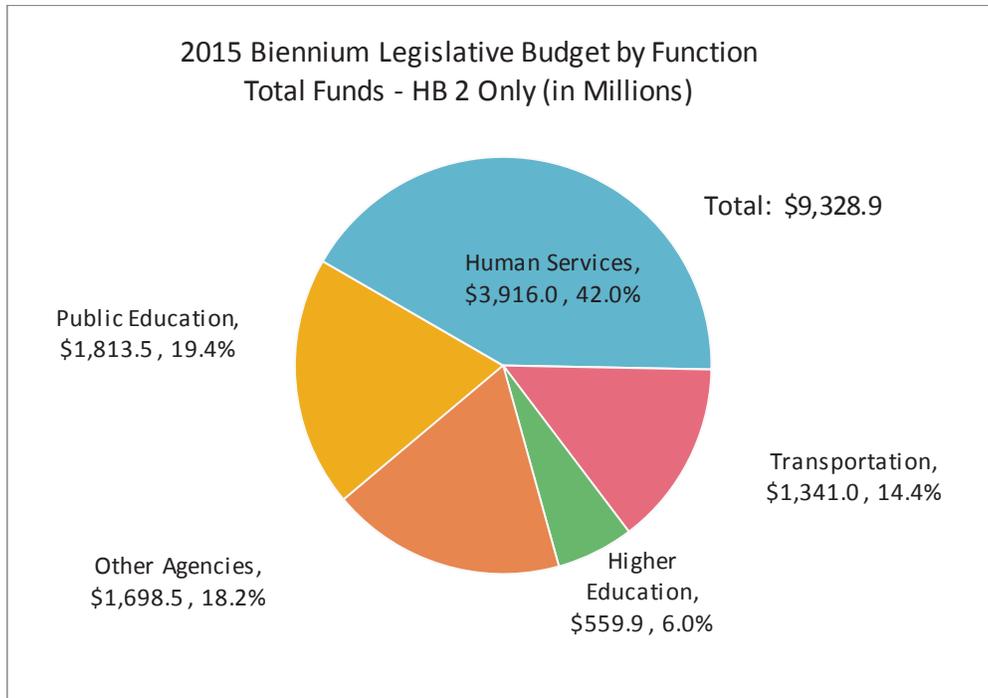


As with state special funds, the legislature made multiple changes over numerous agencies. The major changes include the following:

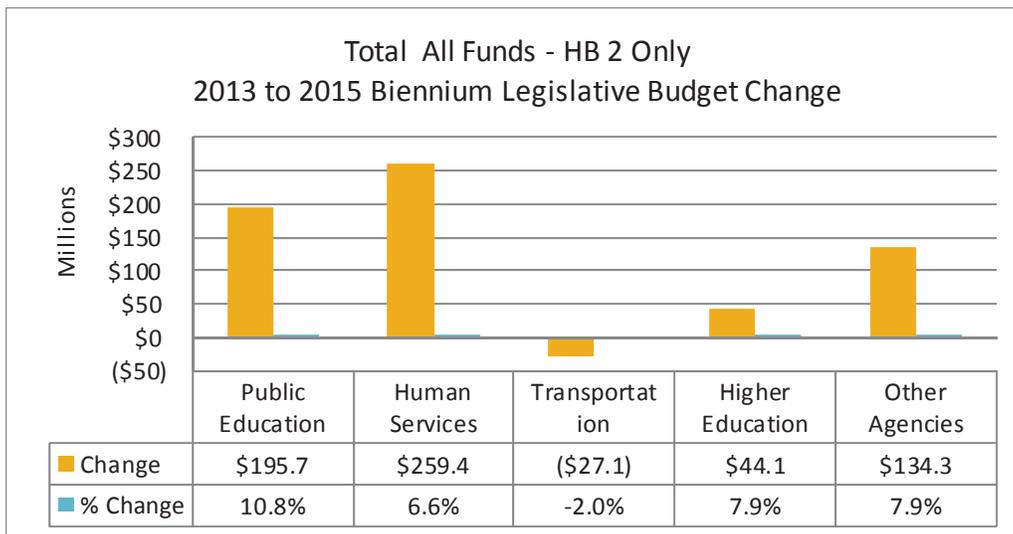
- DPHHS – Caseload and utilization increases and a 2% provider rate increase per year
- Public Education – Addition of a Montana Striving Readers Project and other increased federal grants
- Transportation – Anticipated federal construction funds, and reductions due to the winding down of federal stimulus projects
- Commerce – Various grants adjustments
- Military Affairs – Additional homeland security grants
- All agencies – Statewide present law adjustments

Total Funds

The following shows the allocation of total funds in HB 2 by functional area. Education, human services, and transportation are almost 76% of the total.



The following shows the changes in total funds by functional area.



Functional Areas

The following provides additional information on general fund appropriations for K-12 and higher education, human services, and corrections.

K-12 Education

The budget for K-12 in the 2015 biennium includes direct appropriations in HB 2, SB 175 and statutory appropriations from the guarantee account. A comparison of appropriations in the 2015 biennium and 2013 biennium must take into account each of these sources.

The table below shows that comparison.

Biennial Comparison for OPI - Distribution to Schools - State GF (HB2) and Guarantee Account.				
	General Fund	Guarantee Account	SB 175	Total
2012	\$613.01	\$103.37	\$0.00	\$716.38
2013	\$679.12	\$65.50	\$0.00	\$744.62
2014	\$688.87	\$57.47	\$25.80	\$772.14
2015	\$717.28	\$54.67	\$22.95	\$794.90
2013 Biennium	\$1,292.12	\$168.87	\$0.00	\$1,460.99
2015 Biennium	<u>\$1,406.15</u>	<u>\$112.13</u>	<u>\$48.75</u>	<u>\$1,567.03</u>
Biennial Difference	<u>\$114.03</u>	<u>(\$56.74)</u>	<u>\$48.75</u>	<u>\$106.04</u>
Biennial Percent Growth	8.8%	-33.6%		7.3%
Note: The general fund in FY 2013 contains \$43.58 million in supplementals				

The spending for K-12 in the guarantee account in the 2013 biennium was high due to one-time-only transfer of balances from other funds to the guarantee account in FY 2012. The spending from the general fund in FY 2013 contains two supplementals. One for around \$40 million is due to the veto of HB 316 from the 2011 legislative session. The second supplemental of \$3.6 million was due to higher than expected reimbursements to school districts due to the tax cuts in SB 372.

The state is expected to increase funding for K-12 in the 2015 biennium compared with the 2013 biennium by \$106.0 million. Of this amount \$48.8 million is due to SB 175, the school funding bill.

A further discussion of the agency begins on page E-1 of Volume 4 of the 2015 Biennium Legislative Fiscal Report.

Higher Education

The 2013 Legislature increased state funding for Montana's postsecondary education institutions and agencies \$68.8 million in the 2015 biennium. Most of this increase, \$52.7 million, will be allocated to the Montana University System education units to implement a Tuition Cap Agreement reached between the Governor and the Board of Regents that will freeze resident student tuition rates each year of the 2015 biennium. The agreement was dependent upon new funding for inflationary costs in HB 2 and adequate funding for faculty and staff pay raises in HB 13. The remaining \$16.1 million biennial increase is for new programs, increases to current programs, and pay raises and health insurance increases for the remaining postsecondary institutions, agencies, and programs.

Tuition Cap Agreement

- HB 2 -- \$34.0 million
 - \$28.2 million general fund was added to the MUS education units to fund an 82% state share of the present law cost increases in the MUS general operating budget for the 2015 biennium
 - \$5.2 million general fund was restored to the Student Assistance Program that was part of a funding switch in the 2011 legislative session
 - \$0.6 million general fund was added for inflationary increases in the WICHE/WWAMI/Minnesota Dental program
 - HB 13 - \$18.7 million estimated allocation for MUS education units for pay raises and increased state contribution towards health insurance premiums
 - The agreement also commits the Montana University System to incorporating a performance funding component into the allocation model used by the Board of Regents for distributing funds to the MUS education units

Other Budget Increases

- \$5.0 million for increased support of community colleges, other two year education, and workforce development
- \$4.9 million for pay raises and increased employer health insurance contributions for MUS research/public service agencies, community colleges, and the Office of the Commissioner of Higher Education
- \$2.3 million to expand medical education opportunities and address medical workforce needs
- \$0.6 million to implement an Energy and Natural Resources Doctoral Program
- \$2.1 million for increased state support of the Agricultural Experiment Station and Extension Service
- \$0.4 million for the Bio-Energy Research Center at MSU-Northern

A further discussion of the agency begins on page E-X of Volume 4 of the 2015 Biennium Legislative Fiscal Report.

Public Health and Human Services (DPHHS)

The DPHHS 2015 biennium budget is \$259.4 million (\$86.2 million general fund) higher than the 2013 biennium. The most significant change is in funding for benefits (direct services to eligible persons) which grows \$177.9 million total funds over the biennium, with major increases including:

- Medicaid service utilization and eligibility increases - \$126.2 million total funds including \$23.2 million general fund
- Temporary Assistance for Needy Families (TANF) benefits, child care, and early childhood services - \$15.3 million including \$2.2 million general fund

The legislature also approved a 2% annual provider rate increase, some of which is allocated to services and adds \$67.6 million total funds including \$21.8 million general fund over the biennium.

A further discussion of the agency begins on page B-1 of Volume 3 of the 2015 Biennium Legislative Fiscal Report.

Corrections

The legislature provided funding for this agency that is \$21.0 million total funds (6.0%) and \$20.0 million general fund (5.9%) higher than the 2013 biennium funding.

A large amount of the biennium funding growth (\$8.7 million) is to annualize funding for all but 12 male pre-release beds at the levels previously authorized and to annualize a contract to house 25 low risk, infirm inmates at the Montana Mental Health Nursing Care Center. The legislature also funded five new pre-release beds for women and five transitional living slots for women (\$288,000).

A further discussion of the agency begins on page D-72 of Volume 4 of the 2015 Biennium Legislative Fiscal Report.

LANGUAGE APPROPRIATIONS IN HB 2

The legislature made several appropriations in language in HB 2. Generally, language appropriations are made when it is not known whether and/or to what degree the funds will be spent. The language specified the maximum amount that can be spent from the appropriation. There are two language appropriations in HB 2 that impact general fund:

- Liquor Control Division (Department of Revenue) - \$154.0 million over the biennium. In addition to direct appropriations authority for staff and related operating expenses, the division is given authority to maintain adequate inventories, pay freight charges, and transfer profits and taxes to appropriate accounts. Because any profits are transferred to the general fund, these expenditures will have a direct impact on general fund
- Board of Crime Control – The board is given authority to spend any remaining pass-through grant appropriations from the 2013 biennium, up to \$100,000